



“Adani Green Energy Limited Q3 FY20 Earnings Conference Call”

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Moderator: Good Morning Ladies and Gentlemen. Welcome to the Adani Green Energy Limited Q3 FY20 Earnings Conference Call. We have with us today on the call Mr. Jayant Parimal – CEO and Mr. Ashwin Bajaj – Head Investor Relation and Mr. Udayan Sharma – Investor Relation. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Jayant Parimal. Thank you and over to you, sir.

Jayant Parimal: Good Morning to all of you and I thank you for joining today to discuss our Q3 and 9 Months Results for FY20. I trust you have gone through our Results Presentation as well as the Press Release. Hence, I will not go through all the pages of the presentation, but rather touch upon the key highlights.

As you are aware Adani Green Energy is India’s only major listed pure play renewable energy company. Our total contracted portfolio as of now is 5.9 gigawatt of which 2.5 gigawatt is operational. We have commissioned 575 MW during this 9 month of FY20. Based on our current operating solar capacity as a developer and owner, we are one of the top solar power developers worldwide, ex China. Our capacities is 100% tied up in fixed PPAs which are of 25 years of which about 70% is tied up with government of India owned off-take like SECI and NTPC. We have had strong operational performance and you are aware that now we have started announcing our operational performance also, about 10 days after the quarter end.

During Q3, in solar business our capitalized operational portfolio was 2,148 MW which clocked a CUF of approximately 20%. Plant availability in the Q3 was 97.3% and we have sold 945 million units with an average realization of 4.71 per unit. Average portfolio plant availability has reduced because our largest Kamuthi Solar Power Plant was affected negatively due to water logging, as there was a heavy rainfall in that area of Tamil Naidu.

Further, the grid availability in Q3 of FY20 was lower at 97.9, grid availability was lower due to two reasons:

One was in the Wardha Solar in Karnataka, there is a genuine technical constraint wherein the Karnataka transmission company has started upgrading its infrastructure. So we are hopeful that in another 5, 6 months’ time the technical constraint will be over, and we will have no problem as far as the grid availability is concerned. Other than that, we have had some issues of grid availability in a 50 MW power plant in Ghani in state of Andhra, although we have contracted with NTPC and is connected to the state transmission utility where we have some unjust backing down by the Andhra SLDC. We have already filed a suitable litigation in CERC and honorable CREC has reserved the judgment and we are hopeful for a favorable judgment very soon and this unjust backing down also will be over.

On the wind side on our operational portfolio as on Q3 FY20 which is reported in P&L, which is capitalized, is 122 MW where CUF was 21.42% and plant availability was 88.44%. We sold 50 million unit at a weighted average rate of 3.72 units. In addition to what we have reported in P&L, there are 150 MW equivalent wind power plant which are OEM-owned wherein we have signed a definitive agreement to acquire subject to certain timelines and because it is still not 100% owned by us it does not get reported in our P&L as of now. In addition to that we have another 75 MWs of wind which we commissioned in December, but as the project has not been capitalized it has not been reported in the P&L. Of whatever reported, there are certain issues in our legacy wind plants at the end of our OEMs which is still affecting the plant availability. Our O&M team is actively working to rectify the same.

This time in our operational release, we have tried to highlight the performance of some of the recently commissioned wind plants which are owned, constructed and managed by Adani Green itself and we have given you a bridge also. Here the achieved CUF was much better than P50 target for both Q3 and 9M of FY20. While it may be little too early to make a claim, we have reasons to believe that we can consistently achieve better performance in our wind power plants which are owned, constructed and managed by us. The proportion of this category as a percentage of total portfolio is set to increase significantly in every quarter, quarter-on-quarter. As you are aware solar is a seasonal business, where typically Q4 and Q1 are the best quarters in terms of solar radiations. Unfortunately, India experienced extended monsoon this fiscal leading to radiation shortfall and hence lower than expected generation in Q3 and this we have already shown it to you in form of operational bridge performance bridge. We also experience slightly lower grid availability in Q3 due to evacuation infrastructure issues and some backing down in one plant.

If we look at our 9 month performance, we have performed better than P90 levels. We have given a detailed bridge on the Slide #19 of the results presentation. We had given a plan of commissioning about 800 MWs of renewable capacity in FY20 of which 575 is already commissioned another 50 MW will get commissioned either this week or next week and balance we are trying to commission before March 20. Post-commissioning of these projects our total operational capacity is 2,495 MW and it is set to increase further.

Then I would like to state you to the financials highlights:

The total revenue of this quarter was 504 crore which is up 11% year-on-year. Revenue from sale of energy for Q3 was 452 crores vs. 450 crores in corresponding last quarter.

Our EBITDA was 347 crores which was down compared to Q3 of FY19 majorly due to increased overhead and flattish revenue. Our EBITDA margin for this quarter was 87% and the cash profit which we define as EBITDA plus other income or minus interest and other borrowing expenses and income tax expenses was 77 crores. Up to the end of Q1 FY20, we at AGEL were following WDV depreciation method. Upon a fresh evaluation we have changed the depreciation method to SLM now which is effective from 1st of April 2019. Due to impact of change in depreciation

method there is a sharp reduction in depreciation and amortization. AGEL has also opted for concessional income tax rate of 25.17% with no MAT applicability as amended by taxation law ordinance of 2019 and all the new PPAs are being signed in new SPVs which have been setup after October 1st, 2019 where further concessional rate of income tax which is 15% plus surcharges will be applicable.

As on 31st December 2019 the gross debt was 14,152 crores and the net external debt was 11,386 crores. The project cost for operational capacity of 2,495 is about 15,300 crores and for balance under construction capacity of 3,495 MW the estimated project cost would be approximately 20,000 crore translating into approximately additional debt of 15,000 crores on the basis of 75-25.

We have diversified funding mix from Indian banks both private sector as well as PSUs banks, foreign banks and domestic and international capital markets. As you are aware we have raised two Green Bonds in past from overseas investors where our second bond issue was Investment Ggrade rated with this AGEL has successfully established a credential of accessing long-term funds matching project life from global investors which is applicable in future.

Our operational portfolio as of date as we mentioned is 2,495 has been typically built on a CAPEX to EBITDA of 6.03x. CAPEX to EBITDA is a very important decision metrics for us. We do not expect to breach a CAPEX to EBITDA 6.5 on a fully-built portfolio basis and we want to emphasize that we have been very selective in bidding for our new projects and we expect that our entire operational and under construction portfolio we will be able to generate equity returns in excess of 18% to 20%.

As an organization, we are committed to a sustainable approach for development and therefore, we are paying a lot of attention to every aspects. For Q3 FY20 AGEL plants had 11.5 million continuous man-hours with zero lost time injury we contributed to greener environment of our nation by avoiding emission of approximately 2.8 million tons of C02 equivalent in 9M FY20.

At AGEL we received OSH India Award of 2019 in Employee Awareness Campaign Category from OSH India and 3 Star rating from EHS Excellence Award from CII. Recently we have got our ISO Certifications as well. We tried to make small contributions from time-to-time in our own way towards development of various stakeholders. We have spent approximately 60 lakhs on CSR benefits to community members and skill development of differently-abled people in Jaisalmer and Jodhpur as well as Bhuj in Gujarat. We have also received appreciations from Chief Minister of Rajasthan for our effort on community development and there was zero grievances filed about human rights issue. AGEL has published its first sustainability report recently and has become a signatory to United Nations global compact. We strongly believe in continuous enrichment of capability of employees. We compulsorily train all our employees and other stakeholders in HO as well as sites on technical safety & behavioral aspects. We have given significant man days of training to our employees in Q3 FY20.

With this, I end our updates and would like to open the call to Q&A session.

Moderator: Thank you. Ladies and Gentlemen, we will now begin the question and answer session. The first question is from the line of Mohit Kumar from IDFC Securities Limited. Please go ahead.

Mohit Kumar: First question is on the manufacturing link tender as far as media reports are concerned I think we are already L1, what is the issue not announcing what is keeping us away from not announcing this tender is it something not finalized as of now?

Jayant Parimal: We did participate in that manufacturing-linked tender and as we have correctly reported we were L1. So, we are entitled for the PPA and all the related stuff, but you will appreciate that unless LOA is issued, PPAs are signed certain milestones are covered. If they were not wise to publicly declare because in past we had declared all this things on the basis of some LOAs and all and later on later on government of India decided to withdraw this. So, we had a bad experience in past. So this is why as a policy we tried to announce only when we are reasonably slower that significant milestones are being completed, LOA has been given, PPAs has been signed, deadlines have started then only we publicly declare. Otherwise it unnecessarily raises expectations and at least twice we had such kind of experience wherein we had to again go back to the market and tell them that gentlemen LOA has been withdrawn or something like that so that is the only reason.

Mohit Kumar: You have received the LOA and is there any progress of signing the PPA?

Jayant Parimal: I mean they have issued us one small LOA, but balance there are green shoe options, there are these options, that option, PPA signing etcetera, etcetera. So that process is still on so at appropriate moment as soon as we reach revisit the approved milestone we will definitely let you know.

Mohit Kumar: Second question was this we have won this 150 MW 700 MW under this solar wind hybrid with Adani Electricity Mumbai and the tariff I believe is 3.24 and we are and I think the guaranteed PLF is 50%, what is the economics how do you believe can you just throw some and tell us about the project in detail?

Jayant Parimal: As you correctly pointed out we have declared this bidding happened in July only because we have declared it only after the whole thing got we got our LOA the whole thing was approved by ERC otherwise at times it happens I mean ERC delays the whole process. So this is why we are very careful in declaring the new capacities. So only when we are reasonably sure that now it has done then only we declare. As soon as the ERC process was over then only we have declared it. These are 700 MW solar wind hybrid location as you are free to choose whatever location you want and ratio also you are free to choose whatever ratio you wish to minimum one form of renewable should not be less than 25% of the other form of renewable that is the only restriction and the assured PLF is 50% on an annualized basis. So even though 50% PLF is a large PLF so for 700 MW we are proposing to setup approximately somewhere we have declared

in our Slide #13 we have declared so we are proposing to setup 558 MW DC of solar and 585 MW of wind and then only we will be able to achieve against 700 MW we are setting up 558 MW DC of solar and 585 MW of wind then only we will be able to achieve 50% PLF and although wind and solar they are diagonally complementary to each other and seasonally complementary to each other, but there are times during month of June when both solar and wind is good and during daytime at that time you have both are generating during day time and there could be a clipping. So we expect some clipping during that period. You will appreciate that now the wind prices have practically become Rs. 3 and because the good wind sides are slowly going away and solar is also around Rs. 2.75, 2.80 paisa and then if you add clipping then the prices of Rs. 3.24 paisa gets justified, but this is definitely a very reasonably good project and somewhere we have declared it to be around 6 CAPEX to EBITDA approximately of 5.95 CAPEX. So this is a good project and it will definitely be among the lowest quartile of the project cost on a per kWh basis or per MW basis and we will be able to earn a reasonably good return for profitable version.

Mohit Kumar: Sir, what is the kind of PLF you expect from wind in Rajasthan I believe all the solar-wind hybrid are coming up?

Jayant Parimal: Yes, predominantly we are attempting to set them up in Rajasthan some of the sites are capable of using new machines they can give you 34%, 35% PLF and in Solar also we are targeting to go to about 30% CUF. So with both married together, they will be able to give over 50% PLF.

Mohit Kumar: Sir, last question on the financial, there is a decline in EBITDA and of-course you touched to it based upon the fact that the radiation was low, and the other expenses and the employee expenses are quite high. What is the reason for the employee expenses and other expenses?

Jayant Parimal: Yes, we will explain you. Somewhere we have entered the footnote. We are in the process of and are trying to exit from some of our US operations etc. So earlier, the US operations were capitalized in the relevant projects. Now in some of these projects where we are trying to exit, the expenses are no longer capitalized. So whatever was proposed to be capitalized in 9 months have been expensed out in this quarter. So that is an impact of 30, 35 crores there. So that is showing as an increase in the expense there and then 35 crores we have lost in revenue because of poorer performance of solar compared to what we ought to have done. Then we have Rs 74 crores of onetime expense which we incurred on our RG2 bonds and then because our accounting principle actually Adani Green Energy Limited supplies goods to its SPVs and charges a margin of 1.5% to 2% and that profit was also mentioned, but the auditors have taken an objection to that and while on standalone it can continue, but when you are consolidating it, it is not to be shown. So whatever we have booked in first 2 quarters had to be reversed and then 7 crores we have taken another write off. So, all these things from 117 to 118 crores of exceptional hit is there and whereas the loss is 120 crores otherwise it would have been plus 50 crores. Next quarter the operational performance will be better because by design itself the seasonality is better in Q4 and plus most of our new capacities which have been commissioned recently which could

not contribute significantly in the revenue on the Q3 will start contributing to the revenue and EBITDA in Q4.

Mohit Kumar: Sir, another clarity on the derivative and exchange difference loss this also gone up sharply right for quarter-on-quarter?

Jayant Parimal: Actually, this is an accounting treatment. Practically we have not lost anything on FOREX because we have only 2 FOREX loans RG1 USD bond loan and RG2 USD bond loan and both are fully hedged. So we do not have any loss, but you will appreciate the hedging expense itself is 4.5% and that gets covered here under that head. So it is nothing, but you can say 73 crore is the loss there then there is another gain of 3 crore. So basically, there is a total loss FOREX exchange loss of 70 crores. If you convert 70 crore on our FOREX loan it will come to around 4.5% which is nothing, but our hedging expense. So our total FOREX loan weighted average interest rate might be 10%. So basic rate is 5.5, 4.5 is the hedging expense. So this whatever heading you are seeing is basically the hedging expense. We have not lost anything on FOREX.

Moderator: Thank you. The next question is from the line of Chetan Garg from Standard Bank. Please go ahead.

Chetan Garg: You mentioned a few things with respect to the reasons for the decline in EBITDA one other thing which I noticed in the presentation is the average realization in this quarter for solar has gone down from 4.97 to 4.71 and for wind from 3.97 to 3.72, can you throw some color on why realizations have declined so much?

Jayant Parimal: You will appreciate that both in solar as well as winds, the prices have fallen from what was there in 2015 compared to 2016, 2017 etc. So as and when the new PPAs are getting executed and getting commissioned and capitalized their average realization is lower so weighted average realization will fall. So, this will keep on falling and it is a good thing we are not in the business of realizations for kWh what we want is the profitability. So even if the realization is falling our CAPEX is also falling somewhere in the presentation we have also given you how the CAPEX per MW as well as CAPEX per MW hour has fallen historically. So earlier it was very high but now it is falling. So overall, our returns are unaffected or maybe slightly better. So, what I intend to tell you is that this is the impact of new low price PPAs getting constructed, commissioned and capitalized and it will keep on falling somewhere in the whole thing we have mentioned our weighted average ultimate realization of 5,990MW somewhere we have mentioned it is less than 3. So the 3,495 approximately 3,500 MW is still to be executed and average realization is only 2.8. So our average realization on a weighted average will keep on falling, it will move towards slowly move towards Rs. 3 and this is not only in our case everybody case because the PPA prices has fallen but mind you it is not affecting our profitability and in fact it is good. Our dispatch ability will be better I mean no longer the discoms will have any ulterior desire to back us down because we will be one of the lowest cost power supplier.

- Chetan Garg:** So this is just completely explained by the new capacity which came on so even Q3 and has got nothing to do with any other changes in tariff of your earlier projects?
- Jayant Parimal:** Yes.
- Chetan Garg:** The other question I had was on restricted group 1 details that you gave towards the end of the presentation, firstly you mentioned the gross debt as of December is 4,631 crores the September number was much higher, so just trying to understand how come there has been such a significant decline?
- Jayant Parimal:** Restricted group number 1 you are talking about?
- Chetan Garg:** Yes.
- Jayant Parimal:** Our outstanding gross debt as on December 2019 we are showing 4,631, but then what exactly where are you comparing it from.
- Chetan Garg:** I am comparing it to the September number for instance which is...
- Jayant Parimal:** No, we have not made any significant payment in RG1.
- Chetan Garg:** So, September number is close to 6,000 crores which is why or is this 4,600 just the long term debt?
- Jayant Parimal:** Yes, I mean we do not have any other debt and it is only a long term debt we do not have any other debt and we do not have any working capital loan or anything of that kind. There could be some misunderstanding if you send it in writing we will try to clarify. In fact, I am reading the old number as of September 2019 in our presentation it was 4,619 crores and right now also it is 4,631 crores so I do not think there is any change.
- Moderator:** Thank you. We will move on to the next question that is from the line of Amberish Rathi from T Rowe Price. Please go ahead.
- Amberish Rathi:** Just following up on the debt number could you just give the full consolidated I think 13,600 crores on a consolidated basis, is that the number inclusive of all long term and short term debt to clarify?
- Jayant Parimal:** So, this is on slide number 24 we have given you that number. So consolidated is 13,451 crores and my average interest rate is 10.75 and so we track two things. One is gross debt, one is net debt and gross is debt from financial institutions as well as there are documents against acceptance credit stuff also. So, our gross debt number we have declared somewhere on the slide number 21. We have declared it to be gross debt we have not declared, net debt we have declared. Gross debt was 13 whatever we read and then we have reduced out of that our cash and cash equivalent and then and also so then we reach to the net debt and then we have another number

of net debt from external budget which is even further lower. So that is how we track our debt number. Can you repeat what exactly was your question.

Amberish Rathi: So just to reiterate 13,400 crores that only includes the debt from external parties not a related party debt?

Jayant Parimal: ICD is a third-party debt.

Amberish Rathi: And can you disclose just the cash and equivalence number on a console basis because this net debt includes a lot of other adjustments as well?

Jayant Parimal: Yes, so somewhere we have given I believe let me see so cash and cash equivalent we have some 996 is cash and receivable is 932 and the gross debt also includes some debt under for project under implementation that is CWIP that is 1,195 crores. So, when we try to calculate net debt for operational project because only they contribute to the EBITDA. So, if you reduce it then there is a term called net external debt towards operations and that is how we track it.

Amberish Rathi: On the operational side in this quarter to date I know it is early days, but how have you been tracking against P90 or it is just a quarter-on-quarter basis on the CUF?

Jayant Parimal: If you see our operational matrix we give a operational performance also and again I hear on slide number 19 you have that for solar as well as wind. So, we have declared, I mean it is compared to P50 and we have also declared P50, P75, P90 numbers and then we have given you a bridge. So it clearly explains how we are performing compared to P50, P75, P90.

Amberish Rathi: But this was impacted by some one-offs as well, what I would just trying to get to is how many of these one offs kind of go away and are you seeing that kind of trend into the fourth quarter?

Jayant Parimal: In 12 months or 24 months look if you see that bridge I mean waterfall bridge you will find that the major problem is on radiation shortfall so that is for 3 months chart number one 2.45. If you go on a 9 month basis itself the radiation shortfall reduces from 2.45% to 0.76 on a 12 month basis it should theoretically become 0 and in 24 months it definitely becomes 0. So solar cyclicity is normally for 12 months and in 12 months or 24 months if you average it out, it gets to practically zero. So, we hope to recover all of this. Only thing what is permanently gone is grid unavailability and plant unavailability so that is a loss which is a permanent loss. We are trying to correct it, but whatever is gone is gone.

Moderator: Thank you. We will move on to the next question that is from the line of Dhruv from HDFC AMC. Please go ahead.

Dhruv: Sir, just wanted to understand in detail on the previous questions now we have 2 line items on derivatives and FX in our P&L. One is in the other expenses and one is in the finance cost, just wanted to understand how does this move, how much of this is stands and how should we look at it just to give you a reference I mean this current quarter is a bit about 3 crores in the

operational side, but last year it was about 160 crores, so just to get a sense of what is cash, what is non cash and how does this move?

Jayant Parimal: I hope this is all mark-to-market and this is as per the accounting standard. So, Ankit Shah will explain it to you as per accounting standard.

Ankit Shah: So whatever foreign exposure we have in our books that are fully hedged. So basically, as per the accounting we do mark-to-market for our FOREX liability as well as the accounting. So as sir explained in the earlier question it is coming around 4.5%. So, if you look both the line together it would be coming around 70 to 80 crore every quarter.

Jayant Parimal: Look quarter in this line item number derivative and exchange we have 73.5 crore and line item number E it is minus 3.8 so practically it is 70 crores. You go to 3 months ending on 31 which is September end again you will see the first line item is 28.4 crores. The second line item is plus 40.69 crores you sum it up it will become broadly 68 to 70 crores. It is nothing sum total of both the lines will always remain around 70 crores which is roughly 4.5% of our FOREX loans which is nothing but a hedging expense, but we have to break it as per the accounting rule. So, it is nothing but that and except in case where there is an interest also principle on installment payment it is mainly unrealized.

Dhruv: Sir, secondly just to get a sense on our capital expenditure so in the next if I see your upcoming project any timeline in the next 2 years probably you will do a CAPEX of about 20,000 odd crores 18,000 to 20,000 crores. So, by end of FY22 in the next 2 years so as you may even say 25% equity contribution how do you plan to get that amount I mean how do you look bridge of this equity requirements, because if I see your EBITDA it will not be equivalent EBITDA minus interest it will not match up to the equity that you will require?

Jayant Parimal: So first of all, we have two ways of handling it. One is the existing project itself they give FCFE and you will see by bond we have reduced our repayment profile in fact in 9 months we have only paid 270 crores repayment. So basically, practically our repayments have been shifted. So, it is EBITDA minus interest which comes back to the company for reinvestment purposes plus all the new project which we are executing they are good projects and then again will go to the bond and that will again relate some incremental upsizing of debt will be there and that will give. So, we expect that this will be able to broadly give us money to reinvest and if at all there would be some timing mismatch here and there. The promoter group companies they do lend some money for some time being. This is why you find those perpetual debt moving 100 crore plus or 100 crore minus. So as a promoter company they do lend us some money for some time mismatches, but broadly we believe that going forward which increase EBITDA numbers and all, the equity requirement for a new project will be broadly met.

Dhruv: Because just from the operational FCFE perspective assuming even more debt repayment I believe your EBITDA will be somewhere around 5,000 odd crores in the next 2 years cumulatively and your interest payment will be about. So broad market probably I can take the

match later on, but the equation does not work out. So should we expect an increase in contribution from the promoter to fund the project?

Jayant Parimal: Yes, whenever there is some gap the promoter group companies they lend money as a break just-in-time of that kind.

Dhruv: And sir thirdly and lastly the project you mentioned in AP now it is a small project, but to understand the mechanics this is an interest represented right or it is a state project?

Jayant Parimal: No, it is NTPC PPA and NTPC is paying us in time. So, on payment side we do not have any problem and they are paying with discount and all, but because this was in a state area where it is connected to the state it is a 1,000 MW solar park called Ghani solar park. So, we are not the only one there are others also connected there nobody earlier thought that being connected to state transmission utility will put you at the mercy of this state transmission utility it is only a recent phenomenon. So, on the payment side we have no problem, but everyday Andhra Pradesh low dispatch can turn so that is under the ulterior pressure from the state government of whosoever he is and they in the name of technical reason they back everybody down including us. So, we have contested that and we have gone to CRC and the hearings are complete and the judgment is right now reserved and we are hopeful that the honorable CRC will give us positive judgment wherein they will not only prescribe the state low dispatch center to not back us down and we have also asked for compensation for that. So we hope they grants a compensation also and then another prayer is that in case of renewable any capacity which is more than 500 MW connected to single point in state transmission utility also it is deemed as being dispatched by regional low dispatch center which is under control of government of India. So we have requested CRC to take away the authority of the state low dispatch center and give it to the Bangalore based the regional low dispatch center under ministry of power government of India and we are hopeful that we will get some retrieve there and as soon as the control moves away from state authorities to government of India authorities the backing down in any case will go away. So we are very hopeful so this will settle the issue.

Dhruv: So just to understand the mechanics this is an interstate PPA I mean it goes to NTPC?

Jayant Parimal: Yes, it is NTPC PPA ultimately, they are selling it to the state discom only, but we have done PPA with NTPC. We have no direct relationship with AP discom, but ultimately, we are connected to the local grid, so he is the sentry of that area so he tell us that I have some technical issue in the grid so you back us down. So that despite control is him so this is why he is harassing us, but we are hopeful that even this dispatch control will go away from him.

Dhruv: But just a clarity will not NTPC will I able to pay you because...

Jayant Parimal: No, NTPC will pay for all the builder when I do not generate it does not get build.

Dhruv: Just a clarification on the hedge cost when you mentioned that the RG1 or RG2 is around 4% then plus if you add hedge cost of another 4.5 the total cost comes to around 9%, can we say 9% is the total cost this 9% is across the 20 year period that is not that in the initial that is low?

Jayant Parimal: Hedge expense as we have given you it is around 70 crores per quarter so you can do a Math 70 multiplied by 4 280 crore per annum and our FOREX debt is how much \$850 million is our FOREX debt. So, you can divide and find out it will be approximately 4.5% of the hedge cost will be 4.5%. Now we have 2 bonds right now trading look I mean we took RG1 at 6.25% so 6.25 plus 4.5 so it becomes 10.75 in case of RG2 we took it at 4.625% plus 4.5 so it is around 9.2%. So, we will have to pay our bondholders 6.25 and we have to hedge so it is 4.5 and similarly in RG2 we will have to continue to pay our bondholder 4.625% plus 4.5. Although both the bonds are today trading at 4.3% or 4.4%, but that benefit has not accrued to us benefit has accrued in form of capital appreciation to the bondholder, but then next time when we go to bond our past track record will speak and therefore we will be able to get far better pricing instead of issuing a bond at 6% or 5.5% or 5% we perhaps will be able to issue a bond at 4.5%. So, if you issue at 4.5% and 4.5% of hedging cost the running cost will be 9% and then there will be some upfront expenses which actually factored in. So broadly the 9.5% we believe is the cost of dollar denominated fully hedged fund. So, the cost will remain same so about 20 year or whatever is the period of bond.

Moderator: Thank you. The next question is from the line of Harsh Agarwal from Deutsche Bank. Please go ahead.

Harsh Agarwal: Two, three questions for me one was the current 2.5 gigawatt of operational capacity under I guess normal circumstances let us say CUF have 390 benchmark what would be the EBITDA be just kind of want to perform a full year basis?

Jayant Parimal: So somewhere we have declared that on slide number 11 we have mentioned.

Harsh Agarwal: Got it the 2,500 crores basically.

Jayant Parimal: That is it.

Harsh Agarwal: This is assuming P50 though right?

Jayant Parimal: So look I mean between P50 and P75 there is a 4% gap in case of solar and P75 and P90 is another is another 4%. This is a standard number which is being used 4% is the standard number.

Harsh Agarwal: And then if I were to ask you like once you reach your 5.9, 6 gigawatt of capacity in the next call it 2.5 years where do you estimate your peak debt to be, where do you think the total debt will peak if you can share that number?

Jayant Parimal: Peak debt number we have so by that time we would have paid some loan also so peak debt right now we have 13,000 odd crores of gross debt and we expect to take additional 15,000 crores of

debt for completing the balance project so this takes you to 28,000 crore but by that time something would have been paid so maybe 25,000, 26,000 crores of debt.

Harsh Agarwal: Then the last question from me is of the 2.5 operational that you have I mean already 1.5 gigawatt is sitting in the 2 restrictive groups the balance 1 gigawatt of operational capacity can you theoretically put that into a new restricted group or is there anything that prevents from creating a new RG on the balance on gigawatt for operational capacity?

Jayant Parimal: So nothing prevents us from putting it in RG so but put in a RG you need some operational performance then only we are able to get a good rating. So as soon as that basic minimum requirement of operations is over we will put them in restricted growth and look try to understand the performance risk profile of solar is different than performance risk profile of wind. So, we do not want to mix solar so we will always keep a solar restricted group separately and wanted wind and restricted group separately and minimum economic price of a bond is at least 350, 360 million. So, we will wait till we have sufficient wind asset to give us debt size of \$360 million and has sufficient operating performance to give a comfort to the bondholders. So, there is nothing to upset it is only a question of time.

Moderator: Thank you. The next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Sir, I have 3 questions first is this concessional tax regime which has been allowed in the budget where the power generation would be classified as manufacturing and we will have the benefit available, how does it changes our LPV for the existing project you know can you just give some color?

Jayant Parimal: I mean all of us always use to believe that there are Supreme Court judgment that generation of power is a manufacturing, but then it was nowhere in statute book it was written so there was some confusion. So, in this budget knowingly they have clarified that so that conclusion is gone. So, the existing companies will be entitled for 22% plus whatever surcharge effective rate 25.17% if it is a new company constituted after 1st of October it will be 15% plus suitable surcharges because we are capital heavy and earlier we are written down value depreciations. So most of our companies in any case we are not going to pay any meaningful tax for next 3, 4, 5 years I wonder this regime at least for next 10 years we will not be paying anything because there is no MAT. So, our unabsorbed depreciation itself will take us up to 10 years without tax.

Mohit Kumar: But sir on a standalone entity sir sitting away power plant right now new manufacturing SPV, in your opinion does it changes the NPV of the project?

Jayant Parimal: Yes. So if you have 22% it would go up to 8 or 9 years if it is 15% I mean yes if you change because earlier we were forced to pay MAT after 4, 5 years and MAT itself was remaining unabsorbed for very long time now we do not have to pay any MAT we do not have to pay any tax or tenure. So naturally on a NPV basis it is helping us. So practically the company is tax free

for 10 years and in NPV terms anything which you pay after 10 years is hardly any influence. So, in valuation you will get that benefit.

Mohit Kumar: So secondly on the safeguard duty I believe the safeguard duty of course is expiring in Jan 20 and the bidding is happening right now, so in case basic custom duty comes back post which July 20, are we protected or are we factoring in will that be a change in law in case basic custom duty gets applied post July 20?

Jayant Parimal: Safeguard duty is getting over on 28th of July 2020 and wherever we have paid it was treated as a change in law and in case of Maharashtra commission they have already declared 22 paise equivalent tariff. Similarly, in CRC also they have already declared it as a parcel. So, I suppose there is a duty there is no issue. Now coming to basic custom duty as we speak it is 0 if at all government imposes any basic custom duty going forward that will again be a pass through and change in law. So financially one will not be affected only it is a question of applying for that procedurally and it may take 3, 4, 5 month time to get it adjudicated in the relevant commission.

Mohit Kumar: Sir, thirdly on the Ladakh I think of course why there is so much less interest the evacuation is an issue what is the issue that they have not enough interest being generate for the bidding?

Jayant Parimal: Ladakh they had bundled it both solar plant as well as transmission lines so which was a good theory, but somehow because of challenges of that area perhaps and then people thought that the tariff will be high so which will not be acceptable to the distribution companies and even at Rs. 3 and Rs. 2.90 paise discoms are ready to buy having seen the low level of 2.45 and 2.5 So perhaps there was some unwillingness on the part of the IPPs to invest so much of time and money on a bid so which will definitely give higher price and then ultimately the whole thing gets crapped. So perhaps because of that they have less interest.

Mohit Kumar: So, what will be tariff otherwise in case if we believe at which price this will be economically viable?

Jayant Parimal: I do not have any reply for that, but definitely it will be about Rs. 3.5 or Rs. 4 I do not how much. It will definitely not be Rs. 3 or less or it has to be more than that significantly more than that because of the challenges of the geographical challenges of the area.

Mohit Kumar: Some of the accounting clarity you just said on the interest cost that the Rs. 70 crore recurring from recurring cost in derivative and exchange difference losses and derivative and foreign exchange loss, but however the finance cost interest cost itself has gone up from 239 crore to 289 crore the quarter is QoQ, so is there any one off in this quarter?

Jayant Parimal: Because new projects have been capitalized so finance cost has gone up and so in finance cost we have 2 components. One is the domestic cost, domestic cost is around 10.5% what our domestic component and the foreign components there is a dollar component which is whatever it is the 6% and 4.5% is a hedging cost this is how it reaches to 10.5% and the basic finance cost

has gone up because we are capitalized new projects, we have commissioned 575 MW and of which 300 MW we have capitalized in Q3 itself. So this is why it has gone up.

Mohit Kumar: What is the impact of this utilization in the current quarter?

Jayant Parimal: At the gross block we have shown somewhere how much the gross blocks has increased it was on page number somewhere you have shown this is on slide number 21 we are 11,782 crores of gross block in Q3 FY19 and if you take Q2 12,693 and now it is 13,822. So basically 1,200 odd crores of debt has additionally been capitalized in this quarter. So 10.5% of that will be 120 crores.

Moderator: Thank you. The next question is from the line of Dhruv from HDFC AMC. Please go ahead.

Dhruv: Sir, just a thing on the wind project now we are seeing some delays some of the projects in Gujarat I see from your presentation probably be transmission and land, but if you can help us what is the status there what is causing in terms of more details and what is causing the delay and how do you expect it to plan out?

Jayant Parimal: Most of these wind projects are CTU connected so where the transmission come through PGCL network and you will appreciate that transmission line take more time to complete and we have to apply for connectivity, and we have to apply for long-term open access. So, they grant us long term open access, but they are always subject to certain conditions that this line must get completed, that line must get completed that line must get completed, this transformer must get erected, this is their own background homework which they keep on doing to strengthen their network. So, all the lump sum open access is subject to certain restrictions and certain timelines. So, unless those grid upgradation work gets completed there is no surety that your power which you generate will get transferred. So, we are vary of investing upfront unless we are reasonably sure that what we generated will get transmitted and this cause is delay and this delay is accusable and suitable extensions are granted by SECI and other entities and in case of our project in most of the project their subject LTO has been granted subject to A, B, C, D. So, if A is completed if E is not complete the LTO will not be operational. So, this is like a project is getting delayed, but by March 21 most of things will get sorted out. So gradually every year, every month we will complete 500 MW and try to complete all the projects by March 21 or April 21 because by that time the project all these background were grid upgradation work will be complete. So knowingly I mean we try to match the completion otherwise what will happen we will setup, we will invest money and then be grid will not be able to evacuate the whole thing and we will be ultimately at loss and SECI and other discoms they realized that and they grant suitable matching expenses. So, it is a common policy of SECI to extend the commercial operation debt to operationalization of LTO plus 60 days. So thus, being a standard policy so delay is not our part it is on the part of....

- Dhruv:** So, I understand the delay will not impact because probably SECI will give you an extension, but just to understand in terms of earnings growth perspective, so has power grid started work on these projects the SECI I believe SECI-1 and 2 are largely done in terms of transmission?
- Jayant Parimal:** Yes SECI-1 and 2 are largely done, SECI-3, 4 and others will submission every month successively and so by March 21 I believe broad mostly most of the things will be get done.
- Dhruv:** So all SECI-3, 4, 5 by March?
- Jayant Parimal:** Yes, whatever and SECI-5, 6, 7 may spillover in April, May, June because for that they have to setup a new sensation some work they have already started so we will closely watch their progress and will try to match our project progress with them otherwise it should not happen that we incur lot of IDC.
- Dhruv:** So, there should be no restriction to hybrid projects they are in Rajasthan so not a very good?
- Jayant Parimal:** Hybrid projects at Rajasthan and there the timelines are slightly different. So there also the grid issues will come they are all connected to CPU. So, we will try to match them with the CPU commissioning and next time in analyst meet we will try to present the case of 75 MW MSEDCL which we commission last month. Actually, by perfectly timing the project commissioning on a 75 MW project practically we have sent only 5 crore on IDC which is hardly anything. So, this is why we tried to match the timelines and so there is a delay.
- Dhruv:** Sir, just to my previous question on the capital infusion that would be required so of course you might have done your math, but if I have to do a rough calculation probably around 2,000 to 3,000 crores will be required in terms of equity infusion for the upcoming projects assuming there is no solar manufacturing project we have because currently our building in solar manufacturing, so would that be a right assumption or do you think it is significantly lower?
- Jayant Parimal:** First of all, FCFE in numbers I do not know how you have calculated so you are saying 2,000 gap I do not remember I much is the gap, but whatever gap will be there we will bring it from either mezzanine debt or promoter companies debt something of that kind.
- Dhruv:** Sir this 2.92 tariff on solar manufacturing facility it is just that it will not be hurdle for stated to sign it I mean that is not causing the delays?
- Jayant Parimal:** What I am told I am not sure what government of India is thinking is bundling the project because what is happening right now they were planning back to back kind of a stuff. So naturally different bids will have slightly different pricing some bid will have Rs. 2.55 paisa, some will have Rs. 2.62 paisa, some will have 2.70. So, there is always a competition among the states to go and ask for the PPA which is the lowest price which is at Rs. 2.54 paisa. So, to discourage that what government of India is now thinking is to bundle the PPAs which are being executed in 6 months block or 1 month block which is nothing, but a weighted average price of all the bids which they have floated. So, this way there is no unhealthy competition among discoms to

go for the lowest price PPA. So, when you bundle it Rs. 2. 92 paisa with something which is at Rs. 2. 72 paisa it will come to a weighted average price of Rs. 2.80 paisa. So government of India will not offer anything lower than that so willy nilly everybody will sign it and this is still is a lower price with any discom if he or she independently builds will get. You will appreciate that MSCDCL has bid in past and every time they get more than Rs. 3 as a price. UP discoms they are bid fail and even if they get it is more than Rs. 3. So I do not see any problem why discoms will not sign on a bundled basis.

Moderator: Thank you. Ladies and Gentlemen that was the last question. I now hand the conference over to Mr. Jayant Parimal for his closing comments.

Jayant Parimal: So, thank you gentlemen. I sincerely thank all of you to have join us today in your earning call and renewable has a great future and as Adani Group we are committed towards that and we have an aspiration to do 15 gigawatt by 2025 and the chairman also has a desire to make our company not only India's largest, but amongst the world's largest and we are all committed to that and we are very selective in approach and regimented approach towards solid execution, planning and operations and the results do show what we have promised. I give or take here and there some slippages and we are very transparent and we are ready to declare if it is a negative news we do not have any hassle in declaring them and we are trying to increase ESG standards of our company and you will see going forward more and more declarations from our side on the ESG side as well so which will help everyone to form informed opinion about our performance not only in terms of financial terms, operational terms, but also on the ESG side. So, I take this opportunity to thank all of you to have ask these questions please help us to further fine tune or future presentations and transparency so that we can meet your aspirations and investors aspirations. Thank you very much.

Moderator: Thank you. Ladies and Gentlemen on behalf of Adani Green Energy Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.